

Crush debt before it crushes you

By [Larry MacDonald](#) | November 28, 2011

“The world’s addiction to debt is leading us all straight toward the edge of a cliff,” warns David Trahair in his new book, *Crushing Debt: Why Canadians Should Drop Everything and Pay Off Debt*. People need to “realize that the track we are on will lead to economic disaster ... back to the days of the dreaded ‘D’ word – Depression.”

To head off this outcome, households and governments need to rein in their hankering for debt, Trahair says. In fact, households should make becoming debt-free their most important financial goal. This will not only help shore up the financial system but provide protection from the trauma of creditors calling in loans when debt markets hit the wall. Moreover, citizens around the world need to pressure deficit-plagued governments to get their financial houses in order. “The public sector can’t afford to maintain all the social programs we are accustomed to” Trahair writes. “There will need to be some cuts in spending,”

A first step toward curing our addiction to debt is to talk more openly about it. Trahair leads the way with his own story. In one lean year early in his career, he ran an ongoing five-figure balance on his credit card and was maxed out on his line of credit. Then the wake-up call came. He tried to pay for lunch with a business client but he needed the bank to raise his credit limit and it refused. To that end, *Crushing Debt* offers some advice on how to get out of personal debt and control spending.

Among a variety of subjects, Trahair’s book also takes a critical look at the U.S. mortgage subprime collapse, Canadian government debt, and Canadian household debt. He’s not sanguine about Canadian banks either: they come under scrutiny for their exposure to risky loans, high levels of debt, and slim slivers of equity that could be wiped out by relatively small jumps in loan defaults.

There are some intriguing passages such as his suggestion that financial illiteracy persists in Canada because financial institutions don’t want their customers to get too literate. More money is to be made from financial illiterates, and the institutions are not above blocking attempts to remedy the situation. He cites his experience of being scheduled to give free financial seminars at a university only to have the plug pulled two weeks before the first class. He says he was told the university’s “financial partner” objected to “that guy” spreading the message of paying off debt and buying GICs instead of investing in stocks.

Crushing Debt is a useful book for people who don’t track macroeconomic events too closely. But for those keeping abreast with developments, and contentious anecdotes aside, there may not be much to stir the pulse.